



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ June 30, 2014

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Harrison County, Iowa.

The County had local tax revenue of \$24,543,050 for the year ended June 30, 2013, which included \$1,118,780 in tax credits from the state. The County forwarded \$16,773,303 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,769,747 of the local tax revenue to finance County operations, a 5.9% increase over the prior year. Other revenues included charges for service of \$1,489,965, operating grants, contributions and restricted interest of \$4,092,138, capital grants, contributions and restricted interest of \$373,759, local option sales tax of \$522,321, unrestricted investment earnings of \$42,339 and other general revenues of \$458,402.

Expenses for County operations for the year ended June 30, 2013 totaled \$13,595,474, a 14.4% decrease from the prior year. Expenses included \$5,469,979 for roads and transportation, \$2,134,954 for public safety and legal services and \$1,919,739 for administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1310-0043-B00F.pdf>.

# # #



**HARRISON COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
  
**JUNE 30, 2013**

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## **Harrison County**

### **Officials**

#### **(Before January 2013)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gaylord Pitt	Board of Supervisors	Jan 2013
Robert V. Smith	Board of Supervisors	Jan 2015
Walter Utman	Board of Supervisors	Jan 2015
Susan E. Bonham	County Auditor	Jan 2013
Renee King	County Treasurer	Jan 2015
Lorie A. Thompson	County Recorder	Jan 2015
Patrick Sears	County Sheriff	Jan 2013
Jennifer Mumm	County Attorney	Jan 2015
Dennis Alvis	County Assessor	Jan 2016

#### **(After January 2013)**

Robert V. Smith	Board of Supervisors	Jan 2015
Walter Utman	Board of Supervisors	Jan 2015
Gaylord Pitt	Board of Supervisors	Jan 2017
Susan E. Bonham	County Auditor	Jan 2017
Renee King	County Treasurer	Jan 2015
Lorie A. Thompson	County Recorder	Jan 2015
Patrick Sears	County Sheriff	Jan 2017
Jennifer Mumm	County Attorney	Jan 2015
Dennis Alvis	County Assessor	Jan 2016

**Harrison County**



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Mary Mosiman, CPA  
Auditor of State

Independent Auditor's Report

To the Officials of Harrison County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Harrison County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Harrison County as of June 30, 2013, and the respective changes in its financial position and, where applicable, the cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 50 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harrison County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2014 on our consideration of Harrison County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Harrison County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 19, 2014

**Harrison County**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Harrison County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- ◆ Revenues of the County's governmental activities decreased 12%, or approximately \$2,008,000, from fiscal year 2012 to fiscal year 2013. Capital grants, contributions and restricted interest decreased approximately \$1,472,000 and operating grants, contributions and restricted interest decreased approximately \$1,122,000.
- ◆ Program expenses of the County's governmental activities were 14.4%, or approximately \$2,290,000, less in fiscal year 2013 than in fiscal year 2012. Mental health and roads and transportation expenses decreased approximately \$1,571,000 and \$833,000, respectively.
- ◆ The County's governmental activities net position increased 2.7%, or approximately \$1,166,000, from June 30, 2012 to June 30, 2013.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Harrison County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Harrison County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Harrison County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

In the government-wide financial statements, the County's activities are divided into two categories:

- *Governmental activities:* Most of the County's basic services are included here, including public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.
- *Business type activities:* The County charges fees to help cover the costs of certain services it provides. The County's wastewater disposal system is included here.

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) A proprietary fund accounts for the County's Enterprise Fund. This fund reports services for which the County charges customers for the service it provides. The proprietary fund is reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the proprietary fund and the business type activities included in the government-wide financial statements is the detail and additional information, such as cash flows, provided in the proprietary fund financial statements. The Enterprise, Water and Wastewater Disposal System Fund is considered to be a major fund of the County. The County is responsible for ensuring the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for trustee controlled drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Harrison County's combined net position increased from approximately \$44.2 million to approximately \$45.4 million. The analysis which follows focuses on the changes in the net position of governmental and business type activities.

Net Position of Governmental and Business Type Activities (Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total	
	June 30,		June 30,		June 30,	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 21,744	20,505	88	79	21,832	20,584
Capital assets	32,070	32,259	2,177	2,209	34,247	34,468
Total assets	53,814	52,764	2,265	2,288	56,079	55,052
Long-term liabilities	1,749	1,970	722	731	2,471	2,701
Other liabilities	8,257	8,152	-	-	8,257	8,152
Total liabilities	10,006	10,122	722	731	10,728	10,853
Net position:						
Net investment in capital assets	31,845	31,819	1,456	1,478	33,301	33,297
Restricted	10,017	8,714	43	36	10,060	8,750
Unrestricted	1,946	2,109	44	43	1,990	2,152
Total net position	\$ 43,808	42,642	1,543	1,557	45,351	44,199

Net position of Harrison County's governmental activities increased 2.7% (approximately \$42.6 million compared to approximately \$43.8 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position component increased approximately \$1,303,000, or 15%, from the prior year. This increase is primarily due to increases in net position restricted for road purposes and mental health purposes. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately \$2,109,000 at June 30, 2012 to approximately \$1,946,000 at the end of this year, a decrease of 7.7%.

Changes in Net Position of Governmental and Business Type Activities (Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total	
	June 30,		June 30,		June 30,	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for service	\$ 1,442	1,434	48	49	1,490	1,483
Operating grants and contributions	4,092	5,214	-	-	4,092	5,214
Capital grants and contributions	374	1,846	-	-	374	1,846
General revenues:						
Property and other county tax	7,423	7,054	-	-	7,423	7,054
Tax increment financing		41	-	-	-	41
Penalty and interest on property tax	56	76	-	-	56	76
State tax credits	347	283	-	-	347	283
Local option sales tax	522	547	-	-	522	547
Unrestricted investment earnings	42	60	-	-	42	60
Other general revenues	402	153	-	-	402	153
Total revenues	14,700	16,708	48	49	14,748	16,757
Program expenses:						
Public safety and legal services	2,135	2,120	-	-	2,135	2,120
Physical health and social services	1,338	1,380	-	-	1,338	1,380
Mental health	626	2,197	-	-	626	2,197
County environment and education	1,069	980	-	-	1,069	980
Roads and transportation	5,470	6,303	-	-	5,470	6,303
Governmental services to residents	480	501	-	-	480	501
Administration	1,920	1,994	-	-	1,920	1,994
Non-program	466	313	-	-	466	313
Interest on long-term debt	30	36	-	-	30	36
Water and wastewater disposal system	-	-	62	62	62	62
Total expenses	13,534	15,824	62	62	13,596	15,886
Change in net position	1,166	884	(14)	(13)	1,152	871
Net position beginning of year	42,642	41,758	1,557	1,570	44,199	43,328
Net position end of year	\$ 43,808	42,642	1,543	1,557	45,351	44,199

Harrison County's net position of governmental activities increased approximately \$1,166,000 during the year. Revenues for governmental activities increased approximately \$2,008,000 from the prior year. Capital grants, contributions and restricted interest decreased approximately \$1,472,000, primarily due to decreases in infrastructure assets contributed by the State of Iowa. Operating grants and contributions also decreased approximately \$1,122,000, primarily due to decreases in funding from the State of Iowa for mental health.

The County's countywide property tax rates decreased \$.30925 per \$1,000 of taxable valuation. The rural assessed property taxable valuation increased approximately \$63,487,000. The countywide assessed property taxable valuation increased approximately \$69,685,000.

The cost of all governmental activities this year was approximately \$13.5 million compared to approximately \$15.8 million last year. However, as shown in the Statement of Activities on pages 18 and 19, the amount taxpayers ultimately financed for these activities was approximately \$7.6 million because some of the cost was paid by those directly benefited from the programs (approximately \$1,442,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,466,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in fiscal year 2013 from approximately \$8,494,000 to approximately \$5,908,000.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

### **Governmental Fund Highlights**

As Harrison County completed the year, its governmental funds reported a combined fund balance of approximately \$12.8 million, an increase of approximately \$781,000 from last year's total of approximately \$12.1 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$29,000 and expenditures decreased approximately \$240,000. Property tax increased as a result of increased property tax valuations. The ending fund balance decreased approximately \$45,000 from the prior year to approximately \$3,718,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$627,000, a decrease of 71% from the prior year. Revenue decreased 52% from the prior year. The Special Revenue, Mental Health Fund balance at year end increased approximately \$349,000 from the prior year. The changes in the Special Revenue, Mental Health Fund were primarily due to the reorganization of mental health services and the change in the method the State pays for Medicaid reimbursed services.
- Special Revenue, Rural Services Fund revenues increased approximately \$136,000 and expenditures and transfers out increased approximately \$297,000. Property tax increased as a result of a decrease in the rural services basic levy along with increased rural property tax valuations. The ending fund balance showed a modest decrease of approximately \$81,000 over the prior year to approximately \$1,454,000.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$33,000 and expenditures decreased approximately \$584,000. This decrease is primarily due to the County increasing its stockpile of rock by approximately \$524,000. The ending fund balance increased approximately \$812,000 over the prior year to approximately \$6,626,000.

## Proprietary Fund Highlights

- The Enterprise, Water and Wastewater Disposal System Fund, which accounts for the operation and maintenance of the County's sanitary sewer system, ended fiscal year 2013 with net position of \$1,543,359 compared to the prior year ending net position balance of \$1,556,806.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Harrison County amended its budget one time. The amendment was made on May 23, 2013. This amendment was made to provide for additional disbursements to cover general operating expenses for public safety and legal services, physical health and social services, county environment and education and administration.

The County's receipts were \$1,544,743 less than budgeted, a variance of 10%. The most significant variance resulted from the County receiving less grants and intergovernmental receipts than anticipated, due primarily to the reorganization of mental health services and the change in the method the State pays for Medicaid reimbursed services.

Total disbursements were \$2,805,748 less than the amended budget. Actual disbursements for the mental health, capital projects and roads and transportation functions were \$1,112,546, \$931,679 and \$271,690, respectively, less than budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, Harrison County had approximately \$34.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net decrease (including additions and deletions) of approximately \$220,000, or less than 1% from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2013	2012
Land	\$ 2,086	2,086
Construction in progress	595	445
Buildings and improvements	3,940	3,831
Equipment and vehicles	4,247	4,114
Intangibles	979	847
Infrastructure	20,223	20,936
Total	<u>\$ 32,070</u>	<u>32,259</u>
This year's major additions include (in thousands):		
Capital assets contributed by the Iowa Department of Transportation	\$	360,866
Replacement of Secondary Roads equipment and vehicles		609,756
Conservation projects		80,780
County Sheriff, conservation and homemaker vehicles		98,900
Total		<u>\$ 1,150,302</u>
Capital Assets of Business Type Activities at Year End (Expressed in Thousands)		
	June 30,	
	2013	2012
Infrastructure	\$ 2,177	2,209



For governmental activities, the County had depreciation expense of \$1,431,915 in fiscal year 2013 and total accumulated depreciation of \$24,052,445 at June 30, 2013. Capital assets for business type activities totaled \$2,177,462 (net of accumulated depreciation) at June 30, 2013. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2013, Harrison County had approximately \$1,267,000 of general obligation notes and other debt outstanding, compared to approximately \$1,485,000 at June 30, 2012, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2013	2012
General obligation notes	\$ 225	440
Drainage warrants	321	314
Total	<u>\$ 546</u>	<u>754</u>

Outstanding Debt of Business Type Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2013	2012
USDA sewer revenue notes	\$ 721	731

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Harrison County's outstanding general obligation debt of \$225,000 is significantly below its constitutional debt limit of approximately \$65.5 million. Additional information about the County's long-term debt is included in Note 7 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Harrison County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 4.1% versus 4.5% a year ago. This compares with the State's unemployment rate of 4.8% and the national rate of 7.5%.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget are approximately \$22.6 million, a decrease of 4.2% from the final fiscal year 2013 budget. Disbursements are expected to increase 6.5% from the final fiscal year 2013 budget.

If the budget estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$1,751,000 by the close of fiscal year 2014.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Harrison County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Harrison County Auditor's Office, 111 North Second Ave., Logan, IA 51546.

## **Basic Financial Statements**

Harrison County  
Statement of Net Position  
June 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 10,313,788	75,292	10,389,080
Receivables:			
Property tax:			
Delinquent	6,527	-	6,527
Succeeding year	7,625,000	-	7,625,000
Interest and penalty on property tax	12,307	-	12,307
Accounts	18,801	12,096	30,897
Accrued interest	5,565	-	5,565
Drainage assessments	544,191	-	544,191
Due from other governments	659,393	-	659,393
Inventories	2,551,308	-	2,551,308
Bond issuance costs	7,376	-	7,376
Capital assets, net of accumulated depreciation	32,070,262	2,177,462	34,247,724
<b>Total assets</b>	<b>53,814,518</b>	<b>2,264,850</b>	<b>56,079,368</b>
<b>Liabilities</b>			
Accounts payable	507,790	-	507,790
Accrued interest payable	12,392	-	12,392
Salaries and benefits payable	37,871	-	37,871
Due to other governments	74,130	-	74,130
Deferred revenue:			
Succeeding year property tax	7,625,000	-	7,625,000
Long-term liabilities:			
Portion due or payable within one year:			
USDA sewer revenue notes	-	9,956	9,956
General obligation notes	225,000	-	225,000
Compensated absences	167,405	-	167,405
Portion due or payable after one year:			
USDA sewer revenue notes	-	711,535	711,535
Compensated absences	883,454	-	883,454
Drainage warrants	321,051	-	321,051
Net OPEB liability	152,100	-	152,100
<b>Total liabilities</b>	<b>10,006,193</b>	<b>721,491</b>	<b>10,727,684</b>
<b>Net Position</b>			
Net investment in capital assets	31,844,864	1,455,971	33,300,835
Restricted for:			
Supplemental levy purposes	1,165,370	-	1,165,370
Mental health purposes	920,090	-	920,090
Rural services purposes	1,449,450	-	1,449,450
Secondary roads purposes	5,849,122	-	5,849,122
Debt service	6,503	27,677	34,180
Capital projects	-	16,084	16,084
Drainage district purposes	132,348	-	132,348
Other purposes	494,805	-	494,805
Unrestricted	1,945,773	43,627	1,989,400
<b>Total net position</b>	<b>\$ 43,808,325</b>	<b>1,543,359</b>	<b>45,351,684</b>

See notes to financial statements.

Harrison County  
Statement of Activities  
Year ended June 30, 2013

		Program Revenues		
		Charges	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	for Service		
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety and legal services	\$ 2,134,954	196,670	23,182	-
Physical health and social services	1,338,284	513,176	416,807	-
Mental health	626,524	-	53,752	-
County environment and education	1,068,953	188,275	21,661	12,893
Roads and transportation	5,469,979	67,543	3,465,476	360,866
Governmental services to residents	479,771	292,148	15	-
Administration	1,919,739	36,994	2,316	-
Non-program	465,692	146,775	108,929	-
Interest on long-term debt	29,747	-	-	-
Total governmental activities	13,533,643	1,441,581	4,092,138	373,759
Business type activities:				
Water and wastewater disposal system	61,831	48,384	-	-
Total	\$ 13,595,474	1,489,965	4,092,138	373,759
<b>General Revenues:</b>				
Property and other county tax levied for:				
General purposes				
Debt service				
Penalty and interest on property tax				
State tax credits				
Local option sales tax				
Unrestricted investment earnings				
Gain on disposition of capital assets				
Miscellaneous				
Total general revenues				.
Change in net position				.
Net position beginning of year				.
Net position end of year				.
See notes to financial statements.				

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(1,915,102)	-	(1,915,102)
(408,301)	-	(408,301)
(572,772)	-	(572,772)
(846,124)	-	(846,124)
(1,576,094)	-	(1,576,094)
(187,608)	-	(187,608)
(1,880,429)	-	(1,880,429)
(209,988)	-	(209,988)
(29,747)	-	(29,747)
(7,626,165)	-	(7,626,165)
-	(13,447)	(13,447)
(7,626,165)	(13,447)	(7,639,612)
7,206,784	-	7,206,784
216,371	-	216,371
55,791	-	55,791
346,592	-	346,592
522,321	-	522,321
42,339	-	42,339
15,769	-	15,769
386,842	-	386,842
8,792,809	-	8,792,809
1,166,644	(13,447)	1,153,197
42,641,681	1,556,806	44,198,487
\$ 43,808,325	1,543,359	45,351,684

Harrison County  
Balance Sheet  
Governmental Funds

June 30, 2013

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 3,715,750	982,794	1,432,928
Receivables:			
Property tax:			
Delinquent	4,449	905	937
Succeeding year	4,840,000	665,000	1,899,000
Interest and penalty on property tax	12,307	-	-
Accounts	10,541	-	-
Accrued interest	5,565	-	-
Drainage assessments	-	-	-
Due from other funds	1,109	-	-
Due from other governments	121,993	-	21,680
Inventories	-	-	-
<b>Total assets</b>	<b>\$ 8,711,714</b>	<b>1,648,699</b>	<b>3,354,545</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 85,528	35,300	481
Salaries and benefits payable	6,124	-	-
Due to other funds	-	-	-
Due to other governments	45,270	28,309	400
Deferred revenue:			
Succeeding year property tax	4,840,000	665,000	1,899,000
Other	16,756	905	937
Total liabilities	4,993,678	729,514	1,900,818
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Restricted for:			
Supplemental levy purposes	1,167,083	-	-
Mental health purposes	-	919,185	-
Rural services purposes	-	-	1,453,727
Secondary roads purposes	-	-	-
Conservation land acquisition	136,011	-	-
Other purposes	66,323	-	-
Assigned for conservation	123,322	-	-
Unassigned	2,225,297	-	-
Total fund balances	3,718,036	919,185	1,453,727
<b>Total liabilities and fund balances</b>	<b>\$ 8,711,714</b>	<b>1,648,699</b>	<b>3,354,545</b>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
3,814,584	367,732	10,313,788
-	236	6,527
-	221,000	7,625,000
-	-	12,307
-	8,260	18,801
-	-	5,565
-	544,191	544,191
-	-	1,109
428,927	86,793	659,393
2,551,308	-	2,551,308
6,794,819	1,228,212	21,737,989
137,369	249,112	507,790
31,747	-	37,871
-	1,109	1,109
151	-	74,130
-	221,000	7,625,000
-	631,220	649,818
169,267	1,102,441	8,895,718
2,551,308	-	2,551,308
-	-	1,167,083
-	-	919,185
-	-	1,453,727
4,074,244	-	4,074,244
-	-	136,011
-	292,471	358,794
-	-	123,322
-	(166,700)	2,058,597
6,625,552	125,771	12,842,271
6,794,819	1,228,212	21,737,989

**Harrison County**



Harrison County  
Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Position  
June 30, 2013

<b>Total governmental fund balances (page 21)</b>	\$	12,842,271
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***Amounts reported for governmental activities in the Statement of Net Position are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$56,122,707 and the accumulated depreciation/amortization is \$24,052,445.		32,070,262
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Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.		649,818
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Bond issuance costs in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		7,376
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Long-term liabilities, including notes payable, drainage warrants payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(1,761,402)
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<b>Net position of governmental activities (page 17)</b>	<b>\$</b>	<b>43,808,325</b>
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See notes to financial statements.

Harrison County  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2013

		Special Revenue	
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 4,614,303	880,154	1,718,380
Local option sales tax	-	-	130,580
Interest and penalty on property tax	60,439	-	-
Intergovernmental	1,084,966	95,136	80,295
Licenses and permits	150	-	19,930
Charges for service	576,018	-	-
Use of money and property	90,012	-	-
Fines, forfeitures and defaults	49,061	-	-
Miscellaneous	189,387	578	13,240
Total revenues	6,664,336	975,868	1,962,425
Expenditures:			
Operating:			
Public safety and legal services	1,994,316	-	112,531
Physical health and social services	1,287,361	-	67,947
Mental health	-	626,524	-
County environment and education	619,449	-	212,799
Roads and transportation	-	-	-
Governmental services to residents	479,044	-	-
Administration	1,961,223	-	-
Non-program	-	-	-
Debt service	-	-	-
Capital projects	245,473	-	-
Total expenditures	6,586,866	626,524	393,277
Excess (deficiency) of revenues over (under) expenditures	77,470	349,344	1,569,148
Other financing sources (uses):			
Sale of capital assets	2,616	-	-
Operating transfers in	-	-	-
Operating transfers out	(125,000)	-	(1,650,000)
Drainage warrants issued	-	-	-
Total other financing sources (uses)	(122,384)	-	(1,650,000)
Change in fund balances	(44,914)	349,344	(80,852)
Fund balances beginning of year	3,762,950	569,841	1,534,579
Fund balances end of year	\$ 3,718,036	919,185	1,453,727

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	216,371	7,429,208
391,741	-	522,321
-	-	60,439
3,426,045	70,150	4,756,592
5,480	-	25,560
64	3,422	579,504
-	186	90,198
-	-	49,061
101,430	146,775	451,410
3,924,760	436,904	13,964,293
-	-	2,106,847
-	-	1,355,308
-	-	626,524
-	3,058	835,306
4,867,329	-	4,867,329
-	1,560	480,604
-	-	1,961,223
-	465,692	465,692
-	264,555	264,555
774	9,012	255,259
4,868,103	743,877	13,218,647
(943,343)	(306,973)	745,646
-	-	2,616
1,755,000	20,000	1,775,000
-	-	(1,775,000)
-	33,126	33,126
1,755,000	53,126	35,742
811,657	(253,847)	781,388
5,813,895	379,618	12,060,883
6,625,552	125,771	12,842,271

Harrison County

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances -  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2013

**Change in fund balances - Total governmental funds (page 25)** \$ 781,388

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Depreciation/amortization expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:

Expenditures for capital assets	\$ 868,843	
Capital assets contributed by the Iowa Department of Transportation	360,866	
Depreciation/amortization expense	<u>(1,431,915)</u>	(202,206)

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.

13,153

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	(6,053)	
Other	<u>365,412</u>	359,359

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Repayments exceeded current year issues, as follows:

Issued	(33,126)	
Repaid	<u>241,328</u>	208,202

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	26,968	
Other postemployment benefits	(13,700)	
Amortization of bond issuance costs	(7,865)	
Interest on long-term debt	<u>1,345</u>	<u>6,748</u>

**Change in net position of governmental activities (page 19)** \$ 1,166,644

See notes to financial statements.

Harrison County  
Statement of Net Position  
Proprietary Fund

June 30, 2013

	Enterprise Water and Wastewater Disposal System
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 75,292
Accounts receivable	12,096
Total current assets	87,388
Capital assets, net of accumulated depreciation	2,177,462
<b>Total assets</b>	<b>2,264,850</b>
<b>Liabilities</b>	
Current liabilities:	
USDA sewer revenue notes	9,972
Long-term liabilities:	
USDA sewer revenue notes	711,519
<b>Total liabilities</b>	<b>721,491</b>
<b>Net Position</b>	
Net investment in capital assets	1,455,971
Restricted for:	
Debt service	27,677
Capital projects	16,084
Unrestricted	43,627
<b>Total net position</b>	<b>\$ 1,543,359</b>

See notes to financial statements.

Harrison County  
Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Proprietary Fund

Year ended June 30, 2013

	<u>Enterprise</u> <u>Water and</u> <u>Wastewater</u> <u>Disposal</u> <u>System</u>
Operating revenues:	
Charges for service	\$ 48,384
Operating expenses:	
Depreciation	<u>31,107</u>
Operating income	17,277
Non-operating expense:	
Interest expense	<u>(30,724)</u>
Change in net position	(13,447)
Net position beginning of year	<u>1,556,806</u>
Net position end of year	<u><u>\$ 1,543,359</u></u>
See notes to financial statements.	

Harrison County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2013

	<u>Enterprise Water and Wastewater Disposal System</u>
Cash flows from operating activities:	
Cash received from sewer fees	\$ 48,384
Cash flows from capital and related financing activities:	
Principal paid on USDA sewer revenue notes	(9,555)
Interest paid on USDA sewer revenue notes	(30,724)
Net cash used by capital and related financing activities	(40,279)
Net increase in cash and cash equivalents	8,105
Cash and cash equivalents beginning of year	67,187
Cash and cash equivalents end of year	<u>\$ 75,292</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 17,277
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	31,107
Net cash provided by operating activities	<u>\$ 48,384</u>
See notes to financial statements.	

Harrison County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2013

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,378,710
Other County officials	51,583

Receivables:

Property tax receivable:

Delinquent	19,018
Succeeding year	16,023,000

Accounts	18,675
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Accrued interest	91
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Drainage assessments	364,638
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Special assessments	50,032
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Due from other governments	61,445
----------------------------	--------

<b>Total assets</b>	<u>17,967,192</u>
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**Liabilities**

Accounts payable	44,821
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Stamped warrants payable	248,201
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Salaries and benefits payable	3,268
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Due to other governments	17,550,088
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Trusts payable	12,523
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Compensated absences	108,291
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<b>Total liabilities</b>	<u>17,967,192</u>
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<b>Net position</b>	<u><u>\$ -</u></u>
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See notes to financial statements.



Harrison County

Notes to Financial Statements

June 30, 2013

**(1) Summary of Significant Accounting Policies**

Harrison County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Harrison County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Harrison County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Sixty-five drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Harrison County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Harrison County Auditor's Office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission and County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

In addition, the County is involved in the following jointly governed organizations: Southwest Iowa Planning Council, Southwest Iowa Juvenile Emergency Services Board, Harrison County Landfill Commission and WESCO Industries. Financial transactions of these organizations are not included in the County's financial statements.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

The County reports the following major proprietary fund:

The Enterprise, Water and Wastewater Disposal System Fund is utilized to account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

The County also reports fiduciary funds which focus on net position and changes in net position. The County's fiduciary funds include Agency Funds which are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the government-wide and proprietary fund Statements of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	5,000
Intangibles	50,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	25 - 50
Building improvements	25 - 50
Infrastructure	10 - 65
Intangibles	5 - 20
Equipment	3 - 20
Vehicles	3 - 15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory hours for subsequent use or for payment upon termination, death or retirement. Upon retirement, Secondary Roads employees may elect to convert up to 1,488 hours of accumulated sick leave to cash to be accounted for in the Special Revenue, Secondary Roads Fund and used for continued health care coverage. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors or County Auditor intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Position - The net position of the Enterprise, Water and Wastewater Disposal System Fund is designated for repair and maintenance of the system.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements in three departments exceeded the amounts appropriated. In addition, disbursements in two departments exceeded the amounts appropriated prior to appropriation amendments.

**(2) Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	<u>\$ 1,109</u>

This balance results from the reclassification of the deficit cash balance in the Debt Service Fund to the General Fund for reporting purposes.



**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 125,000
	Special Revenue:	
	Rural Services	1,630,000
		<u>1,755,000</u>
Special Revenue:		
Flood and Erosion	Special Revenue:	
	Rural Services	20,000
Total		<u>\$ 1,775,000</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 2,086,264	-	-	2,086,264
Intangibles, road network	847,147	81,381		928,528
Construction in progress	445,000	360,265	(210,725)	594,540
Total capital assets not being depreciated	<u>3,378,411</u>	<u>441,646</u>	<u>(210,725)</u>	<u>3,609,332</u>
Capital assets being depreciated/amortized:				
Buildings	5,885,004	125,914	-	6,010,918
Improvements other than buildings	-	132,994	-	132,994
Equipment and vehicles	8,918,138	743,137	(234,280)	9,426,995
Intangibles	-	63,559	-	63,559
Infrastructure, road network and other	36,849,325	29,584	-	36,878,909
Total capital assets being depreciated/amortized	<u>51,652,467</u>	<u>1,095,188</u>	<u>(234,280)</u>	<u>52,513,375</u>
Less accumulated depreciation/amortization for:				
Buildings	2,054,480	142,005	-	2,196,485
Improvements other than buildings	-	6,938	-	6,938
Equipment and vehicles	4,803,816	527,342	(151,033)	5,180,125
Intangibles	-	12,712	-	12,712
Infrastructure, road network and other	15,913,267	742,918	-	16,656,185
Total accumulated depreciation/amortization	<u>22,771,563</u>	<u>1,431,915</u>	<u>(151,033)</u>	<u>24,052,445</u>
Total capital assets being depreciated/amortized, net	<u>28,880,904</u>	<u>(336,727)</u>	<u>(83,247)</u>	<u>28,460,930</u>
Governmental activities capital assets, net	<u>\$32,259,315</u>	<u>104,919</u>	<u>(293,972)</u>	<u>32,070,262</u>
<b>Business type activities:</b>				
Capital assets being depreciated:				
Infrastructure	\$ 2,332,995	-	-	2,332,995
Less accumulated depreciation for:				
Infrastructure	124,426	31,107	-	155,533
Total capital assets being depreciated, net	<u>\$ 2,208,569</u>	<u>(31,107)</u>	<u>-</u>	<u>2,177,462</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 118,297
Physical health and social services	8,210
County environment and education	99,066
Roads and transportation	1,159,696
Administration	46,646
Total depreciation/amortization expense - governmental activities	<u>\$ 1,431,915</u>

Business type activities:

Water and wastewater disposal system	<u>\$ 31,107</u>
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**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2013 is as follows:

Fund	Description	Amount
General	Services	<u>\$ 45,270</u>
Special Revenue:		
Mental Health	Services	28,309
Rural Services	Services	400
Secondary Roads	Services	151
		<u>28,860</u>
Total for governmental funds		<u>\$ 74,130</u>
Agency:		
County Offices	Collections	\$ 43,289
Agricultural Extension Education		208,506
County Assessor		282,653
Schools		11,208,284
Community Colleges		753,679
Corporations		3,568,673
Townships		344,803
Auto License and Use Tax		310,462
Drainage Districts		370,067
E911 Service Commission		239,072
All other		220,600
Total for agency funds		<u>\$ 17,550,088</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	General Obligation Notes	Drainage Warrants	Compen- sated Absences	Net OPEB Liability	Total
<b>Governmental activities:</b>					
Balance beginning of year	\$ 440,000	314,253	1,077,827	138,400	1,970,480
Increases	-	33,126	395,094	20,000	448,220
Decreases	215,000	26,328	422,062	6,300	669,690
Balance end of year	\$ 225,000	321,051	1,050,859	152,100	1,749,010
Due within one year	\$ 225,000	-	167,405	-	392,405

	USDA Sewer Revenue Notes
<b>Business type activities:</b>	
Balance beginning of year	\$ 731,046
Increases	-
Decreases	9,555
Balance end of year	\$ 721,491
Due within one year	\$ 9,956

General Obligation Notes Payable

Details of the County's June 30, 2013 general obligation note indebtedness are as follows:

Year Ending June 30,	Series 2003 Geo Thermal Issued Dec 1, 2003			Series 2009 Landfill and Jail Issued Jun 1, 2009		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	3.85%	\$ 65,000	1,251	2.20%	\$ 160,000	3,520

Year Ending June 30,	Total		
	Principal	Interest	Total
2014	\$ 225,000	4,771	229,771

During the year ended June 30, 2013, the County retired \$215,000 of general obligation notes.

### USDA Sewer Revenue Notes

Annual debt service requirements to maturity for the USDA sewer revenue notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	4.125-4.250%	\$ 9,956	30,323	40,279
2015	4.125-4.250	10,375	29,904	40,279
2016	4.125-4.250	10,811	29,468	40,279
2017	4.125-4.250	11,264	29,015	40,279
2018	4.125-4.250	11,738	28,541	40,279
2019-2023	4.125-4.250	66,512	134,883	201,395
2024-2028	4.125-4.250	81,703	119,692	201,395
2029-2033	4.125-4.250	100,365	101,030	201,395
2034-2038	4.125-4.250	123,290	78,105	201,395
2039-2043	4.125-4.250	151,456	49,939	201,395
2044-2047	4.125-4.250	144,021	15,396	159,417
Total		\$ 721,491	646,296	1,367,787

The County has pledged future sewer customer revenues, net of specified operating expenses, to repay \$758,000 of sewer revenue notes issued in June 2008. The notes mature annually on July 1 and bear interest at 4.125% to 4.250% per annum, which is also due and payable on July 1. Proceeds from the notes provided financing for the construction of new water and waste disposal systems in the Little Sioux and River Sioux communities. The notes are payable solely from sewer customer net revenues and are payable through 2047. The total principal and interest remaining to be paid on the notes is \$1,367,787. For the current year, principal and interest paid and total customer net revenues were \$40,279 and \$17,277, respectively.

The resolution providing for the issuance of the sewer revenue notes includes the following provisions:

- (a) Sufficient monthly transfers shall be made to a debt service account for the purpose of making the principal and interest payments when due.
- (b) Additional monthly transfers of \$337 shall be made to a sewer revenue reserve account until \$40,279 has been accumulated. This account is restricted for the purpose of paying principal and interest payments on the notes.
- (c) Monthly transfers of \$265 shall be made to a short-lived asset depreciation account for future capital improvements.
- (d) The County is required to submit a budget projection for the next fiscal year to the USDA Rural Development Office for approval by February 15 each year.
- (e) The County is required to submit a year-end report to the USDA Rural Development Office by August 30 each year.

### Drainage Warrants Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefited properties and other District revenues.

## **(8) Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$426,784, \$433,575 and \$348,465, respectively, equal to the required contributions for each year.

## **(9) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 105 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 22,500
Interest on net OPEB obligation	6,000
Adjustment to annual required contribution	<u>(8,500)</u>
Annual OPEB cost	20,000
Contributions made	<u>(6,300)</u>
Increase in net OPEB obligation	13,700
Net OPEB obligation beginning of year	<u>138,400</u>
Net OPEB obligation end of year	<u>\$ 152,100</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$6,300 to the medical plan. Plan members eligible for benefits contributed \$11,192, or 64% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 63,000	11.7%	\$ 124,000
2012	20,500	29.8	138,400
2013	20,000	31.5	152,100

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability (AAL) was \$181,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$181,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,246,000 and the ratio of the UAAL to covered payroll was 4.3%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate. The valuation dated July 1, 2011 excludes the sick leave liability for future retirees since the liability is included in compensated absences. As a result, the AAL was reduced for the year ended June 30, 2012.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the Actuary's Pension Handbook and applying the termination factors using the Scale T-2 table.

Projected claim costs of the medical plan range from \$589 to \$1,802 per month for retirees less than age 65. The salary increase rate was assumed to be 2.75% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

#### **(10) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2013 were \$236,315.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(11) Secondary Roads Department Insurance Benefit**

Voluntary termination benefit programs have been established for Secondary Roads Department employees. The programs allow employees who are eligible, upon a bona fide retirement, to use the value of their unused sick leave to purchase group health insurance after separation.

Upon retirement, the value of the balance of the accrued sick leave is converted based upon the balance of sick leave hours, as follows:

<u>Sick Leave Balance (hours)</u>	<u>Conversion Rate</u>
0 - 559	0%
560 - 879	50%
880 - 1,119	75%
1,120 - 1,488	100%

The final calculated dollar value will be credited to the employee's Sick Leave Upon Retirement account. The employer will continue to pay the costs of the health insurance premium each month until the converted value of the employee's Sick Leave Upon Retirement account balance is exhausted. The converted value of the sick leave can only be applied to the payment of health, dependent health and/or Medicare supplement insurance premium payments.

For the year ended June 30, 2013, five employees have retired and received benefits totaling \$23,802 under the program.



**(12) Deficit Fund Balances**

The Special Revenue, Drainage Districts Fund and the Debt Service Fund had unassigned deficit fund balances of \$165,591 and \$1,109, respectively, at June 30, 2013. The County plans to eliminate the deficits with future drainage assessment collections, FEMA revenue and property tax revenue.

**(13) Financial Assurance**

The County participates in an agreement with the Harrison County Landfill Commission, which was created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the member county and municipalities.

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Commission in accordance with Chapter 567-104.26(5) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care of the Commission as of June 30, 2013 are \$2,448,899 and the County's financial assurance obligation amount is \$1,554,133. At June 30, 2013, the County has met the guarantor conditions outlined in Chapter 567-104.26(5) of the Iowa Administrative Code.

In the event the Commission fails to perform closure or postclosure care in accordance with the appropriate plan or permit, whenever required to do so, or fails to obtain an alternate financial assurance within 90 days of intent to cancel, the County will perform or pay a third party to perform closure and/or postclosure care or establish a standby trust fund in the name of the Commission or obtain alternate financial assurance in the amount of the assured amount.

**Harrison County**

### **Required Supplementary Information**

Harrison County

Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2013

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 7,953,349	-	7,953,349
Interest and penalty on property tax	60,864	-	60,864
Intergovernmental	4,602,807	38,426	4,564,381
Licenses and permits	26,585	-	26,585
Charges for service	597,778	-	597,778
Use of money and property	85,876	-	85,876
Miscellaneous	487,001	138,515	348,486
Total receipts	13,814,260	176,941	13,637,319
Disbursements:			
Public safety and legal services	2,103,249	-	2,103,249
Physical health and social services	1,344,044	-	1,344,044
Mental health	941,204	-	941,204
County environment and education	839,776	-	839,776
Roads and transportation	5,431,310	-	5,431,310
Governmental services to residents	479,652	-	479,652
Administration	1,949,964	-	1,949,964
Non-program	260,425	260,425	-
Debt service	264,555	38,322	226,233
Capital projects	236,821	-	236,821
Total disbursements	13,851,000	298,747	13,552,253
Excess (deficiency) of receipts over (under) disbursements	(36,740)	(121,806)	85,066
Other financing sources, net	33,126	33,126	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(3,614)	(88,680)	85,066
Balance beginning of year	10,317,402	162,380	10,155,022
Balance end of year	\$ 10,313,788	73,700	10,240,088

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Net
		Variance
7,975,302	7,975,302	(21,953)
51,500	51,500	9,364
6,268,535	6,268,535	(1,704,154)
33,075	33,075	(6,490)
550,455	550,455	47,323
109,480	109,480	(23,604)
193,715	193,715	154,771
15,182,062	15,182,062	(1,544,743)
2,206,470	2,220,470	117,221
1,462,858	1,493,428	149,384
2,053,750	2,053,750	1,112,546
910,022	923,022	83,246
5,703,000	5,703,000	271,690
512,506	512,506	32,854
1,960,725	2,055,725	105,761
-	-	-
227,600	227,600	1,367
1,168,500	1,168,500	931,679
16,205,431	16,358,001	2,805,748
(1,023,369)	(1,175,939)	1,261,005
-	-	-
(1,023,369)	(1,175,939)	1,261,005
8,415,255	8,415,255	1,739,767
7,391,886	7,239,316	3,000,772

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Harrison County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 13,814,260	150,033	13,964,293
Expenditures	13,851,000	(632,353)	13,218,647
Net	(36,740)	782,386	745,646
Other financing sources, net	33,126	2,616	35,742
Beginning fund balances	10,317,402	1,743,481	12,060,883
Ending fund balances	\$ 10,313,788	2,528,483	12,842,271

See accompanying independent auditor's report.

## Harrison County

### Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Enterprise Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$152,570. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2013, disbursements in three departments exceeded the amount appropriated. In addition, disbursements in two departments exceeded the amounts appropriated prior to appropriation amendments.

Harrison County  
Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2008	-	\$ 631	631	0.0%	\$ 4,600	13.7%
2011	Jul 1, 2008	-	631	631	0.0	4,208	15.0
2012	Jul 1, 2011	-	181	181	0.0	4,424	4.1
2013	Jul 1, 2011	-	181	181	0.0	4,246	4.3

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.



## **Supplementary Information**

Harrison County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2013

	County Recorder's Records Management	Urban Renewal Revenue	Resource Enhance- ment and Protection
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 4,231	122,448	40,013
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	-	-
Succeeding year drainage assessments	-	-	-
Due from other governments	-	-	-
<b>Total assets</b>	<b>\$ 4,231</b>	<b>122,448</b>	<b>40,013</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	-	-
Due to other funds	-	-	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted for other purposes	4,231	122,448	40,013
Unassigned	-	-	-
Total fund balances	4,231	122,448	40,013
<b>Total liabilities and fund balances</b>	<b>\$ 4,231</b>	<b>122,448</b>	<b>40,013</b>

See accompanying independent auditor's report.

Special Revenue					
Flood and Erosion	Seizures	Drug Search and Seizures	Drainage Districts	Debt Service	Total
111,034	1,600	14,706	73,700	-	367,732
-	-	-	-	236	236
-	-	-	-	221,000	221,000
-	-	-	8,260	-	8,260
-	-	-	544,191	-	544,191
-	-	-	86,793	-	86,793
111,034	1,600	14,706	712,944	221,236	1,228,212
1,561	-	-	247,551	-	249,112
-	-	-	-	1,109	1,109
-	-	-	-	221,000	221,000
-	-	-	630,984	236	631,220
1,561	-	-	878,535	222,345	1,102,441
109,473	1,600	14,706	-	-	292,471
-	-	-	(165,591)	(1,109)	(166,700)
109,473	1,600	14,706	(165,591)	(1,109)	125,771
111,034	1,600	14,706	712,944	221,236	1,228,212

Harrison County  
Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2013

	County Recorder's Records Management	Urban Renewal Revenue	Resource Enhance- ment and Protection
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	-	19,635
Charges for service	3,422	-	-
Use of money and property	15	-	171
Miscellaneous	-	-	-
Total revenues	3,437	-	19,806
Expenditures:			
Operating:			
County environment and education	-	-	-
Governmental services to residents	1,560	-	-
Non-program	-	-	-
Debt service	-	-	-
Capital projects	-	-	9,012
Total expenditures	1,560	-	9,012
Excess (deficiency) of revenues over (under) expenditures	1,877	-	10,794
Other financing sources:			
Operating transfers in	-	-	-
Drainage warrants issued	-	-	-
Total other financing sources	-	-	-
Change in fund balances	1,877	-	10,794
Fund balances beginning of year	2,354	122,448	29,219
Fund balances end of year	\$ 4,231	122,448	40,013

See accompanying independent auditor's report.

Special Revenue					
Flood and Erosion	Seizures	Drug Search and Seizures	Drainage Districts	Debt Service	Total
-	-	-	-	216,371	216,371
1,855	-	-	38,426	10,234	70,150
-	-	-	-	-	3,422
-	-	-	-	-	186
-	-	-	146,775	-	146,775
1,855	-	-	185,201	226,605	436,904
3,058	-	-	-	-	3,058
-	-	-	-	-	1,560
-	-	-	465,692	-	465,692
-	-	-	38,322	226,233	264,555
-	-	-	-	-	9,012
3,058	-	-	504,014	226,233	743,877
(1,203)	-	-	(318,813)	372	(306,973)
20,000	-	-	-	-	20,000
-	-	-	33,126	-	33,126
20,000	-	-	33,126	-	53,126
18,797	-	-	(285,687)	372	(253,847)
90,676	1,600	14,706	120,096	(1,481)	379,618
109,473	1,600	14,706	(165,591)	(1,109)	125,771

Harrison County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	6,333	106,093	147,678
Other County officials	51,583	-	-	-
Receivables:				
Property tax:				
Delinquent	-	173	237	11,606
Succeeding year	-	202,000	228,000	11,049,000
Accounts	822	-	-	-
Accrued interest	-	-	-	-
Drainage assessments	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 52,405</b>	<b>208,506</b>	<b>334,330</b>	<b>11,208,284</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	136	-
Stamped warrants payable	-	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other governments	43,289	208,506	282,653	11,208,284
Trusts payable	9,116	-	-	-
Compensated absences	-	-	51,541	-
<b>Total liabilities</b>	<b>\$ 52,405</b>	<b>208,506</b>	<b>334,330</b>	<b>11,208,284</b>

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Drainage Districts	E911 Service Commission	Other	Total
10,121	54,417	3,585	310,462	248,383	225,049	266,589	1,378,710
-	-	-	-	-	-	-	51,583
558	6,224	218	-	-	-	2	19,018
743,000	3,458,000	341,000	-	-	-	2,000	16,023,000
-	-	-	-	-	17,853	-	18,675
-	-	-	-	91	-	-	91
-	-	-	-	364,638	-	-	364,638
-	50,032	-	-	-	-	-	50,032
-	-	-	-	36,364	-	25,081	61,445
753,679	3,568,673	344,803	310,462	649,476	242,902	293,672	17,967,192
-	-	-	-	31,208	3,830	9,647	44,821
-	-	-	-	248,201	-	-	248,201
-	-	-	-	-	-	3,268	3,268
753,679	3,568,673	344,803	310,462	370,067	239,072	220,600	17,550,088
-	-	-	-	-	-	3,407	12,523
-	-	-	-	-	-	56,750	108,291
753,679	3,568,673	344,803	310,462	649,476	242,902	293,672	17,967,192

Harrison County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 56,732	197,733	310,967	12,013,184
Additions:				
Property and other county tax	-	202,024	228,537	11,046,867
E911 surcharge	-	-	-	-
State tax credits	-	8,976	10,316	550,191
Drivers license fees	-	-	-	-
Office fees and collections	1,685,673	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	49,347	-	-	-
Miscellaneous	-	140	170	9,288
Total additions	1,735,020	211,140	239,023	11,606,346
Deductions:				
Agency remittances:				
To other funds	326,368	-	-	-
To other governments	1,364,700	200,367	215,660	12,411,246
Trusts paid out	48,279	-	-	-
Total deductions	1,739,347	200,367	215,660	12,411,246
Balances end of year	\$ 52,405	208,506	334,330	11,208,284

See accompanying independent auditor's report.



Community Colleges	Corpora- tions	Townships	Auto License and Use Tax	Drainage Districts	E911 Service Commission	Other	Total
815,469	3,437,989	326,736	307,259	317,215	201,518	267,966	18,252,768
742,122	3,437,270	341,898	-	-	-	2,397	16,001,115
-	-	-	-	-	144,073	-	144,073
37,752	150,319	14,522	-	-	-	112	772,188
-	-	-	73,862	-	-	-	73,862
-	-	-	-	-	-	-	1,685,673
-	-	-	4,652,990	-	-	-	4,652,990
-	21,483	-	-	335,538	-	-	357,021
-	-	-	-	-	-	348,504	397,851
588	-	291	-	132,631	945	525,767	669,820
780,462	3,609,072	356,711	4,726,852	468,169	145,018	876,780	24,754,593
-	-	-	183,606	-	-	-	509,974
842,252	3,478,388	338,644	4,540,043	384,109	103,634	502,571	24,381,614
-	-	-	-	-	-	348,503	396,782
842,252	3,478,388	338,644	4,723,649	384,109	103,634	851,074	25,288,370
753,679	3,568,673	344,803	310,462	401,275	242,902	293,672	17,718,991

Harrison County

Schedule of Revenues By Source and Expenditures By Function -  
All Governmental Funds

For the Last Ten Years

	2013	2012	2011	2010
Revenues:				
Property and other county tax	\$ 7,429,208	7,098,326	6,714,586	6,324,557
Local option sales tax	522,321	546,939	475,243	447,734
Interest and penalty on property tax	60,439	65,004	74,186	60,545
Intergovernmental	4,756,592	5,960,567	6,324,666	6,481,561
Licenses and permits	25,560	25,720	24,442	36,719
Charges for service	579,504	582,727	639,350	1,345,004
Use of money and property	90,198	133,550	147,662	77,311
Fines, forfeitures and defaults	49,061	39,033	21,498	-
Miscellaneous	451,410	668,214	713,221	665,874
Total	\$ 13,964,293	15,120,080	15,134,854	15,439,305
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,106,847	2,035,838	1,955,517	1,719,725
Physical health and social services	1,355,308	1,358,033	1,357,012	1,336,131
Mental health	626,524	2,197,433	1,856,540	1,629,060
County environment and education	835,306	877,584	879,407	1,526,616
Roads and transportation	4,867,329	5,363,814	4,687,625	4,479,948
Governmental services to residents	480,604	488,248	456,336	441,937
Administration	1,961,223	1,925,661	1,915,157	1,735,155
Non-program	465,692	312,935	276,279	-
Debt service	264,555	615,016	465,855	493,923
Capital projects	255,259	619,964	579,323	1,541,345
Total	\$ 13,218,647	15,794,526	14,429,051	14,903,840

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
6,188,195	5,875,034	5,729,568	5,336,897	5,491,423	5,508,332
477,574	465,664	425,289	462,321	431,509	-
53,180	50,829	57,510	59,258	68,493	64,713
5,789,828	5,194,003	4,776,739	4,677,346	4,029,136	3,905,289
33,362	23,574	23,574	22,645	25,131	22,815
1,370,879	1,345,927	1,422,647	1,349,341	1,174,042	1,379,268
163,130	329,746	387,284	317,305	193,104	185,799
-	-	-	-	-	-
760,792	814,032	798,075	867,002	550,539	674,031
14,836,940	14,098,809	13,620,686	13,092,115	11,963,377	11,740,247
1,907,119	1,865,471	1,782,628	1,749,112	1,693,019	1,809,631
1,594,390	1,711,280	1,448,676	1,382,657	1,260,780	1,328,820
1,786,275	2,022,201	1,801,955	1,518,473	1,553,127	1,455,268
2,309,032	1,196,058	1,294,395	1,002,246	1,014,956	989,878
4,523,788	5,065,406	5,246,078	5,244,431	4,594,896	4,555,537
507,148	484,491	431,554	559,230	381,416	383,434
1,679,182	1,292,617	1,288,661	1,086,407	1,029,062	1,061,809
-	-	-	-	-	-
515,633	480,546	567,026	564,952	566,562	508,414
-	-	185,004	59,645	203,801	732,215
14,822,567	14,118,070	14,045,977	13,167,153	12,297,619	12,825,006

**Harrison County**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Officials of Harrison County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Harrison County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 19, 2014

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harrison County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harrison County's internal control. Accordingly, we do not express an opinion on the effectiveness of Harrison County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) through (I) to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harrison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


## Harrison County's Responses to the Findings

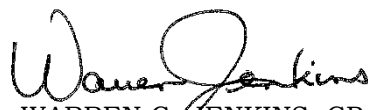
Harrison County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Harrison County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Harrison County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 19, 2014

Harrison County  
Schedule of Findings  
Year ended June 30, 2013

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Extension Office, Sheriff's Civil Division and Jail, Engineer and Conservation/ Welcome Center
(2) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash. An independent person does not periodically review the bank reconciliation for propriety.	Treasurer, Recorder and Sheriff's Civil Division and Jail
(3) The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash receipts.	Recorder and Sheriff's Civil Division and Jail
(4) Generally, one individual may have control over listing mail receipts, collecting, depositing, posting and daily reconciling of receipts for which no compensating controls exist. The initial listing is not compared to receipt records by an independent person and is not signed or initialed to evidence review.	Treasurer, Extension Office, Sheriff's Civil Division and Jail, Engineer and Conservation/ Welcome Center
(5) A listing of cash and checks received in the mail is not prepared.	Conservation/ Welcome Center
(6) The person who prepares a summary of tax collections also reconciles delinquencies at year end. There is no evidence an independent person reviews reconciliations for propriety.	Treasurer
(7) There is no evidence of review and approval of journal entries, including tax abatements.	Auditor and Treasurer

Harrison County

Schedule of Findings

Year ended June 30, 2013

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of the review of reconciliations and receipts should be documented by the signature or initials of the independent reviewer and the date of review.

Responses –

Extension Office – We will try to implement more segregation of duties and comparison of mail receipts to the receipt book and deposits on the bank statement.

Recorder – We are aware of the segregation of duties issue in a small office and do the best we can to address it. As County Recorder, I review our office policy to address this issue so we can do the best we can.

Sheriff – We will make an effort to share this responsibility with other office personnel. This is due to limited staff, but I do initial bank records after review. I will make an attempt to assign someone for review of transactions on a regular basis. Considerations will be given as to a second person being assigned for these duties.

Engineer – The Secondary Roads Department has implemented the procedures that were adopted following the fiscal year 2012 audit exit. Mail is opened by the Office Manager and receipts are recorded individually for deposit with the County Treasurer. The Assistant to the Engineer reviews the documentation for each receipt and compares the actual receipt to account receivable invoices or other control verification. Upon concurrence, the Assistant initials the deposit before it is given to the County Treasurer. The Office Manager reconciles the monthly revenue report when received.

An additional staff procedure has been implemented. A separate journal is maintained of all receipts that are received by Secondary Roads. (Some revenues arrive via mail and others are paid in person at the counter). When the Assistant to the Engineer reviews the deposit ticket, the ledger is compared to ensure all revenues have been deposited in a timely manner.

Conservation/Welcome Center – We understand segregation of duties and we will do our best to address the situation.

Treasurer – We are going to have a different person review and initial all reports and abatements when the reports are done. We will also have someone document their independent review on all monthly reconciliations.

Auditor – Office procedures are now updated to include a review of these actions.

Conclusions – Responses accepted.



Harrison County  
Schedule of Findings  
Year ended June 30, 2013

- (B) Financial Reporting – During the audit, we identified material amounts of receivables, capital asset additions and deletions not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly record these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, capital asset additions and deletions are identified and properly included in the County's financial statements.

Response – We will monitor this area more closely to ensure accurate reporting.

Conclusion – Response accepted.

- (C) Payroll – The following internal control deficiencies relate to the County's payroll:

- Although employees complete timesheets, the timesheets are not submitted to the County Auditor's office as part of payroll. Instead, the departments submit a sheet summarizing the payroll. As a result, most departments manually track their own employee's leave balances in lieu of utilizing the County's financial software.
- Department Head timesheets are not approved by the Board of Supervisors. In some cases, Department Heads do not complete timesheets.
- The same person calculates and inputs rates of pay for salaried employees with no independent review.
- Certain salaried employees are paid in advance of the wages being earned.

Recommendation – All timesheets prepared by personnel should be submitted to the County Auditor's office prior to processing payroll for each pay period. The timesheets should be signed by the employee and should be reviewed and signed by the employee's immediate supervisor or the County Official or Department Head prior to submission. The timesheet should support all hours worked and all hours taken as vacation, sick leave, compensatory time, holiday hours and personal days.

The Board of Supervisors should require all Department Heads to submit a timesheet for review and approval. The timesheet should support all hours worked and leave taken.

The payroll rates for salaried employees should be reviewed by an independent person.

The Board of Supervisors should not allow salary payments in advance of wages earned.

Response – Procedures have been updated. Timesheets are now submitted to the Auditor's Office (or Secondary Roads). Any changes to the rate of pay are reviewed by another employee. The Board of Supervisors is not interested in changing the advanced wages at this time.

Conclusion – Response acknowledged. All timesheets should be submitted to the County Auditor's Office and the Board of Supervisors should not allow salary payments in advance of wages earned.

Harrison County

Schedule of Findings

Year ended June 30, 2013

(D) Prisoner Room and Board – The following internal control deficiencies related to prisoner room and board were identified:

- A reconciliation of billings, collections and accounts receivable balances is not performed.
- The County does not consistently send delinquent accounts to the magistrate in a timely manner and the delinquent accounts are not reviewed by an independent person.

Recommendation – The County should implement policies and procedures to ensure prisoner room and board billings, collections and accounts receivable balances are reconciled on a monthly basis. An independent person should periodically review the reconciliations for propriety and the reviews performed should be documented by the signature or initials of the reviewer and the date of the review. Delinquent accounts should be remitted to the magistrate timely and reviewed by an independent person.

Response – These recommendations will be taken under consideration and changes made to satisfy these suggestions.

Conclusion – Response accepted.

(E) Computer Systems – During our review of internal control, the existing control activities in the County's computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following deficiencies in the County's computer systems were noted:

The County does not have written policies for:

- Information system security, including password privacy and confidentiality.
- Requiring password changes because the software does not require users to change log-ins/passwords periodically.
- Usage of the internet.

Also, the County does not have a written disaster recovery plan.

Recommendation – The County should develop written policies addressing the above items in order to improve the County's control over its computer systems. A written disaster recovery plan should be developed.

Response – We will work on these policies.

Conclusion – Response accepted.

Harrison County

Schedule of Findings

Year ended June 30, 2013

- (F) Credit Cards – The County has credit cards for use by various employees while on County business. The County has not adopted a policy to regulate the use of the credit cards.

Recommendation – The County should adopt a written policy regulating the use of County credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response – We will work on this policy.

Conclusion – Response accepted.

- (G) Accounting Policies and Procedures Manual – The County Sheriff's Office does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Response – We have plans to review, update and change the policy manual which will cover these concerns in the coming year.

Conclusion – Response accepted.

- (H) Welcome Center Inventory – The Welcome Center operates the Iowa Products Store which sells merchandise, including food, beverage, clothing, crafts and a wide variety of souvenirs. Inventory records are not maintained.

Recommendation – To facilitate proper control over the merchandise, the County should implement procedures to ensure complete inventory records are maintained and kept current. A physical count of the inventory should be performed periodically by an employee having no responsibility for the inventory.

Response – We will research options for inventory control and do our best to implement the practice.

Conclusion – Response accepted.

Harrison County

Schedule of Findings

Year ended June 30, 2013

- (I) Conservation Welcome Center – Monthly reconciliations of book and bank balances were not prepared. A list of outstanding checks was not always prepared for each month.

The Conservation Welcome Center did not prepare a year-to-date summary of receipts and disbursements for financial reporting.

The daily credit card and cash sales records are not reconciled to deposits by an independent person. Void receipts are not reviewed. Additionally, fees for credit card processing are automatically deducted from the Welcome Center checking account. These amounts were not included in the County's budget or financial reports.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and retained. Any variances should be investigated and resolved timely. A listing of outstanding checks should be prepared and retained monthly. An independent review of the reconciliation should be performed periodically and should be documented by the signature or initials of the reviewer and the date of review.

A year-to-date summary of Welcome Center receipts and disbursements should be prepared.

An independent review of the reconciliation of daily collections to deposit and void receipts should be performed periodically. The review of the reconciliation should be documented by the signature or initials of the reviewer and the date of review. The credit card processing fees should be paid by claim approved by the Conservation Board and included in the County's accounting system.

Response – We will implement a program to improve reconciliation and year-to-date summary.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Harrison County  
Schedule of Findings  
Year ended June 30, 2013

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted by function. However, disbursements in three departments exceeded the amount appropriated at June 30, 2013. In addition, disbursements in two departments exceeded the amounts appropriated prior to appropriation amendments.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will watch this more closely.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Susan Bonham, County Auditor, Mother of Sara Bonham	Assist with general election	\$ 348
Susan Bonham, County Auditor, Mother of Steven Bonham	Assist with general election	270
Larry Oliver, Emergency Management Director, father of Carter Oliver	Yard work at County Sheriff's Office	160
Robert Smith, Supervisor, wife owns Cheryl Smith Cleaning Services	Cleaning services at County Sheriff's and County Engineer's Offices	9,530
Dennis Hall, Secondary Roads employee, Wife is Lois Hall	Cleaning services	6,240

The transactions with Cheryl Smith Cleaning Services and Lois Hall do not represent conflicts of interest in the opinion of the County Attorney.

Harrison County

Schedule of Findings

Year ended June 30, 2013

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the remaining transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Although minutes of the Board proceedings were published, they were not provided to the newspaper within the time period required by Chapter 349.18 of the Code of Iowa.

Recommendation – The County should ensure the minutes are provided for publication timely, as required.

Response – We will work on this.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) Deficit Balance/Financial Condition – The Debt Service Fund had a deficit cash balance of \$1,109 at June 30, 2013. This appears to violate Chapter 331.476 of the Code of Iowa.

In addition, the Special Revenue, Drainage Districts and Debt Service Funds had unassigned deficit fund balances of \$165,591 and \$1,109, respectively, at June 30, 2013.

Recommendation – Claims should not be approved for payment when funds are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other County funds or other formal short-term debt instruments or obligations.

The County should investigate alternatives to eliminate the deficits to return these funds to a sound financial position.

Response – We will watch this more closely.

Conclusion – Response accepted.

Harrison County

Schedule of Findings

Year ended June 30, 2013

- (10) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.

- (11) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved but was not certified to the Iowa Department of Management on or before December 1. The report was filed on December 13, 2012.

Recommendation - The County should file the urban renewal annual report timely.

Response – We will file this report on time in the future.

Conclusion – Response accepted.

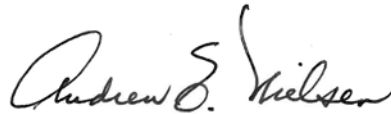
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Harrison County

Staff

This audit was performed by:

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